

CITY OF YORKTOWN, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

CITY OF YORKTOWN, IOWA
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CITY OF YORKTOWN, IOWA
OFFICIALS
June 30, 2016

(Before January, 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Stalder	Mayor	January, 2018
Kristina Stalder	Council Member	January, 2018
Micheal Cabeen	Council Member	January, 2018
James Randolph	Council Member	January, 2016
Gale Harvey (Resigned October, 2015)	Council Member	
Mary Wolhoy	Council Member	January, 2016
Denise Rope	City Clerk	Indefinite
Mahlon Sorensen	City Attorney	Indefinite

(After January, 2016)

David Stalder	Mayor	January, 2018
Kristina Stalder (Resigned May, 2016)	Council Member	
Danie Blake (Appointed July, 2016)	Council Member	January, 2018
Micheal Cabeen	Council Member	January, 2018
James Randolph (Resigned January, 2016)	Council Member	
Sharyn Clark (Appointed March, 2016)	Council Member	January, 2020
Mike Conte	Council Member	January, 2018
Mathew Shum	Council Member	January, 2020
Denise Rope	City Clerk	Indefinite
Mahlon Sorensen	City Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of City Council

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Yorktown for the period July 1, 2015 through June 30, 2016. The City of Yorktown's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor
and Members of City Council

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
9. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Yorktown, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Yorktown, Iowa and other parties to whom the City of Yorktown may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Gmewold, Ben Kyhn M. P. C.

Atlantic, Iowa
December 22, 2016

DETAILED RECOMMENDATIONS

CITY OF YORKTOWN, IOWA

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations - The cash balances in the City's general ledger were not reconciled to bank account balances throughout the year. For the two months reviewed, bank and book balances did not properly reconcile.

Recommendation - The city should establish procedures to ensure bank account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (C) Chart of Accounts - The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation - To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

- (D) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

CITY OF YORKTOWN, IOWA

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

(E) City Council Meeting Minutes - The following were identified:

- (1) Chapter 380.7 of the Code of Iowa requires minutes of all City Council proceedings be properly signed. Minutes for the four meetings tested were not properly signed.
- (2) Chapter 372.13(6) of the Code of Iowa requires the City Council minutes to include the total disbursements by fund. Minutes for the four meetings tested did not include total disbursements by fund.
- (3) Minutes for the four meetings tested did not show sufficient information to indicate the vote of each member present.

Recommendation - The City should comply with the Code of Iowa and authorize City Council minutes with proper signature and include the total disbursements by fund in the minutes, as required. Also, the City should document the results of City Council member votes in the minutes.

(F) Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety and culture and recreation functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

(G) Questionable Disbursements - Two of the thirty disbursements tested did not have proper supporting documentation and three of the thirty disbursements were not properly approved in the City Council minutes.

Recommendation - The City should establish written policies and procedures, including the requirements for retaining proper documentation and approval for all disbursements.

(H) Monthly Financial Reports - The Clerk's monthly financial reports to the City Council included year-to-date receipts and disbursements, but did not include a summary of beginning fund balance, cash receipts, cash disbursements, ending fund balance by fund or a budget vs. actual comparison by function.

Recommendation - To provide better financial information, the monthly reports should include the beginning balance, receipts, disbursements, ending balance for each fund and a budget vs. actual comparison.

CITY OF YORKTOWN, IOWA

Detailed Recommendations - Continued

For the period July 1, 2015 through June 30, 2016

- (I) Annual Financial Report - The Annual Financial Report (AFR) beginning and ending fund balance in the Governmental Funds did not agree with the accounting records.

Recommendation - The City should establish procedures to ensure beginning and ending balances of the AFR are accurate, supported by the City's financial records.

- (J) Payroll - The Mayor and City Council members do not receive W-2s for compensation received. Also, the City did not issue 1099's to vendors who were paid \$600 or more for services provided.

Recommendation - The City should prepare W-2s for the Mayor and City Council members. Also, the City should issue 1099's to all vendors who are paid \$600 or more for services provided.

- (K) Check Number Sequence - There were several checks written out of sequential order.

Recommendation - Checks should be written in sequential order to maintain better control of the unwritten checks.

- (L) Approval and Cancellation of Invoices - The City does not document the approval of invoices to be paid or mark them as "Paid."

Recommendation - The City should document the approval of invoices to be paid by initialing and dating the invoice, and mark each invoice as "Paid."

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